MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Abstract

The MCC compact with Cabo Verde was a five-year investment (2005 – 2010) of $108,512,457.56 million. The $54,838,012.28 million Port Activity component is the subject of an independent performance evaluation summarized here.

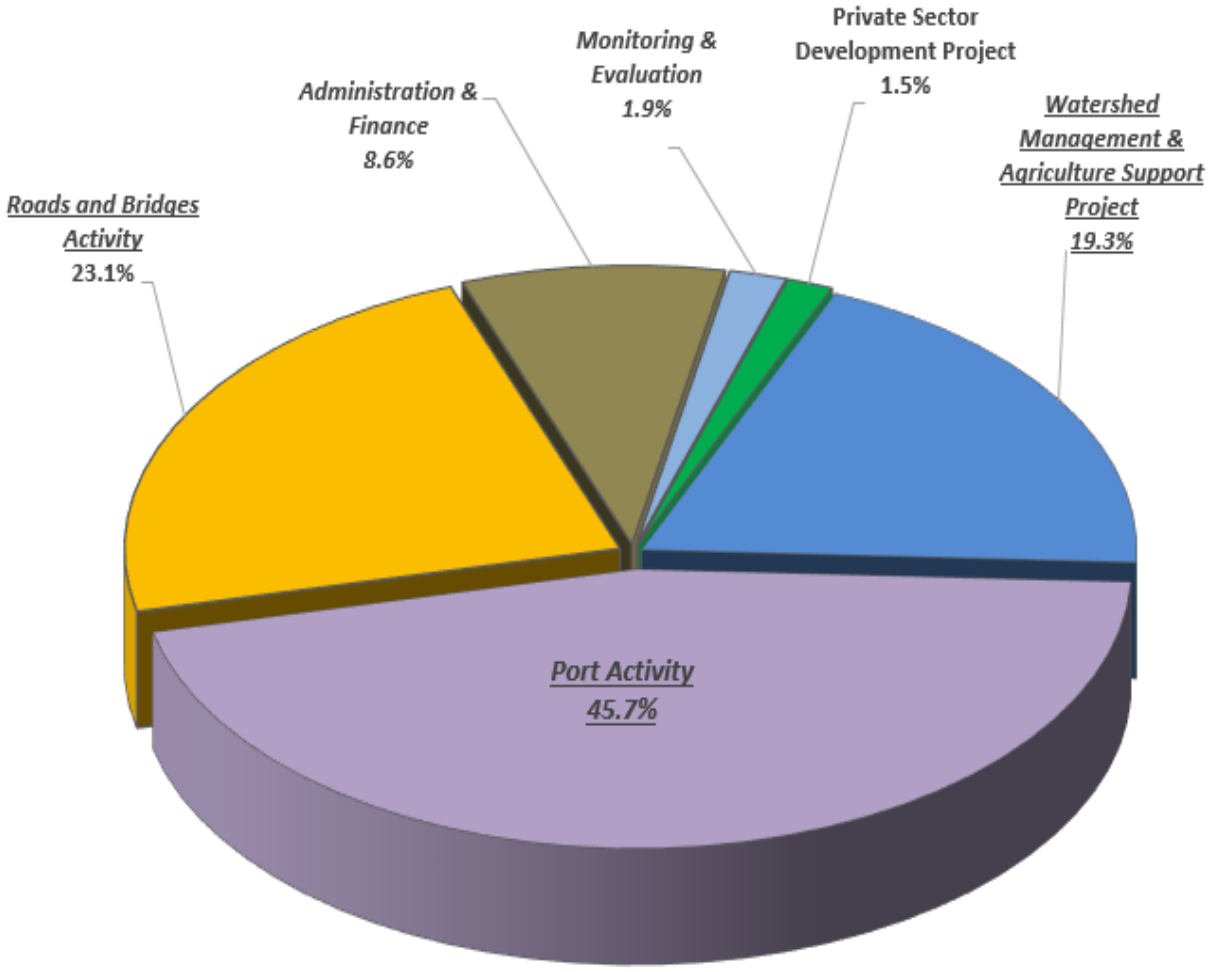
- The MCC logic was based on the assumption that improvements, upgrading and expansion of the Port of Praia will lead, in the short term, to improved Port's operational capacity and productivity, and in the longer term, to reduced Port's inherent berth, space and geometry problems. Along with the Roads and Bridges Activity, the Port's improvements were expected to increase integration of the internal market and to reduce transportation costs.
- The evaluation found that the port has become more competitive in terms of capacity, modern equipment, operational efficiency and cost, as well as increased employment and reduced petty corruption within the port terminal.
- The trade volumes fluctuated, but remained well below port capacity. The evaluation does not attribute these changes in trade volumes to MCC investments as many other factors may have played a role.
- The evaluator found that the investment should have focused more on software (institutions) to ensure that investments in hardware (infrastructures) are optimal.

MCC acknowledges that better feasibility analysis would likely have resulted in a better balance between hardware (infrastructures) and software (institutions) investments.

Measuring Results of the Cabo Verde Port Activity

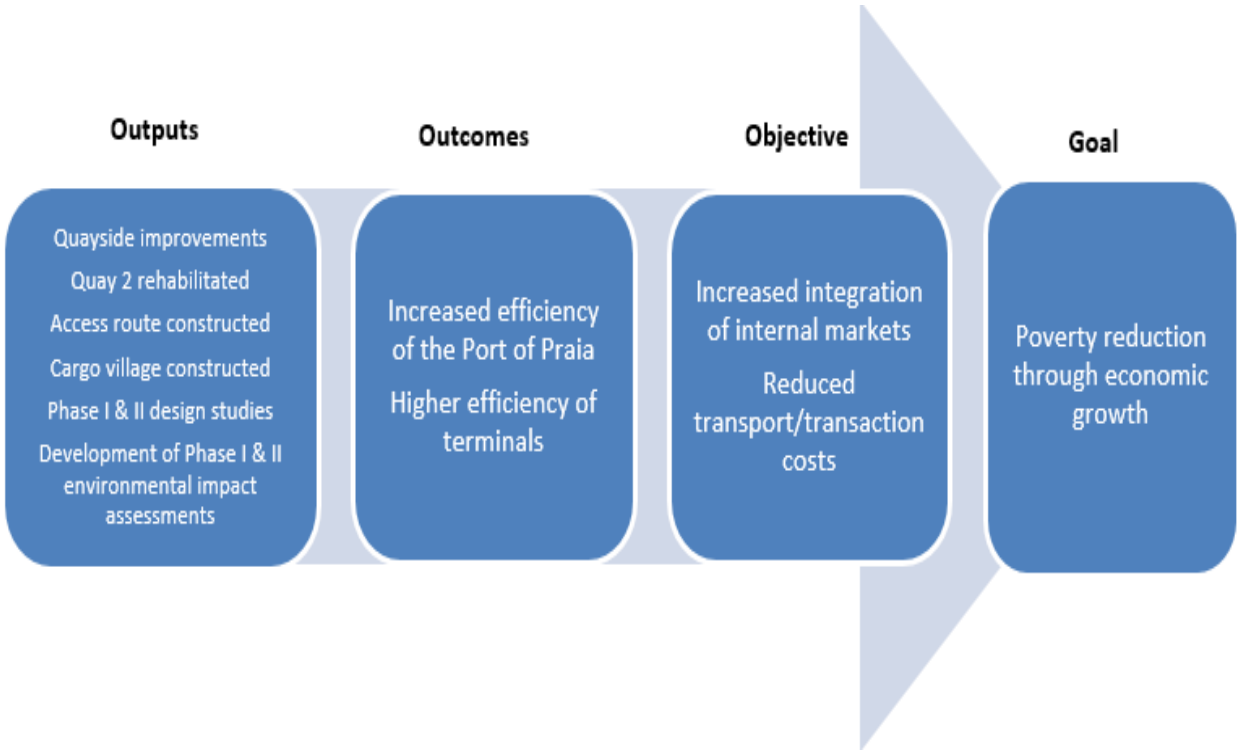
In Context

The MCC compact with Cabo Verde was a five-year investment (2005 – 2010) of $ $108,512,457.56 million in three projects: Watershed Management and Agricultural Support, Private Sector Development, and Infrastructure. The Infrastructure Project included two major activities, including Roads and Bridges Activity and Port Activity. The $54,838,012.28 million. Port Activity is the subject of an independent performance evaluation released by MCC in 2017, the results of which are summarized here. This component represents 45.7 percent of the total compact. Other components of the compact are the subject of ongoing and upcoming independent evaluations.



Program Logic

The Port Activity was designed to increase integration of internal markets and reduce transaction costs at Port of Praia, by improving operational efficiency, and space and berth capacity.



There were several key assumptions underlying the Port Activity logic during the design of the investment:

- Creating backup space and improving the ability to expand landward would enhance the development of container operations;
- By improving the layout of the terminal and creating an adequate breakwater, the intervention would improve the operational effectiveness of the quays;
- Along with improved rural transport network, increased efficiency of the Port of Praia would lead to increased integration of internal markets, reduced transport costs.

For a more detailed version of the program logic, please refer to page 5 of the Cabo Verde M&E Plan, which can be found here: MCC/MCA-Cabo Verde Monitoring and Evaluation Plan.

Measuring Results

MCC uses multiple sources to measure results, which are generally grouped into monitoring and evaluation sources. Monitoring data is collected during and after compact implementation and is typically generated by the program implementers; it focuses specifically on measuring program outputs and intermediate outcomes directly affected by the program. However, monitoring data is limited in that it cannot tell us whether changes in key outcomes are attributable solely to the MCC-funded intervention. The limitations of monitoring data is a key reason why MCC invests in independent impact evaluations, which use a counterfactual to assess what would have happened in the absence of the investment and thereby estimate the impact of the intervention alone. Where estimating a counterfactual is not possible, MCC invests in performance evaluations, which compile the best available evidence and assess the likely impact of MCC investments on key outcomes.

Monitoring Results

The following table summarizes performance on output and outcome indicators specific to the evaluated program.

Indicators [1]	Level	Baseline	Actual Achieved	Target	Percent Complete
Percent of contracts for Port feasibility, design, supervision and program management disbursed	Output	0.0	89.29	100	89.29%
USD Value of works contracts disbursed	Output	0.0	89.9	100	89.86%
Contract for Phase I works signed	Process	N/A	09/30/2008	07/31/2008	N/A
BCEOM submits final design for Phase II works	Process	N/A	12/22/2008	08/07/2008	N/A
Site installation complete	Process	N/A	12/31/2008	10/23/2008	N/A

The average completion rate of output targets is 89.6 percent; and in 3 of the 9 monitoring indicators, targets were met. [2]

Evaluation Questions

The evaluation was designed to answer questions such as:

- On Competitiveness:

1. How has the competitiveness of the Port evolved since 2006?
2. Among the ports in the region, how has the competitiveness of the Port changed following completion of the works?

- On Trade Volume:

1. What is the relative change in the level of domestic and international traffic, volume of container and bulk maritime trade, value of trade (USD) and growth trends in relevant sectors before and after the improvements to the port?
2. To what extent can changes in trade volume be attributable to MCC's intervention?

- Operational Efficiency:

1. To what extent do the completed works mitigate/resolve observed constraints to port capacity and improve the efficiency of the operations as identified in due diligence and feasibility studies?
2. How has the project affected the Port's operational efficiency? What is the percentage change in the overall productivity of the port following completion of works?
3. What percentage change in the port's principal measures of operational efficiency can be observed following completion of the works?
4. Has the level of congestion in the Port changed? If there has been change, what has caused the change?

- On Costs:

1. What percentage change in the port's annual total direct costs (shipping, cargo handling and land transportation, etc.) can be observed following completion of the works?
2. What is the relative change in the cost of doing business to importers, exporters, agents, transportation companies, and other businesses sensitive to port improvements?

- On Integration of Internal Markets:

1. To what extent has the port project contributed to achieving an overall compact objective of increasing the integration on internal markets?

- On Employment:

1. What net change can be observed in employment among the permanent and non-permanent employees in the port sector following completion of the works?

- On Corruption:

1. What has been the cost of corruption? Refer to evaluation methodologies developed by West African Trade Hub and World Bank?

- On Unanticipated Impacts:

1. What were unanticipated positive and negative impacts of port investments? What were unanticipated institutional, economic, et al. positive and negative impacts of port investments?

Evaluation Results

The actual evaluation began in summer 2015, five years after the closeout. MCC and the evaluators agreed on a performance evaluation based on the seven research categories listed above. The studies are based essentially on analyses of existing port activity records, private sector activity records, coupled with a series of literature reviews in the port investment field. Additional Focus Group discussions with port users and dwellers, and of key informant interviews (Cabo Verde government officials and private sector actors) contributed to data used for the evaluation. A detailed evaluation design report has been released and available on MCC's evaluation catalog.

Evaluator	NORC (National Opinion Research Center) at University of Chicago with Nathan Associates and Agland
Impact or Performance?	Performance
Methodology	Pre-post

Evaluation Period	Program implementation concluded by October 2011. Final data collection was completed collection completed in September 2016
Outcomes	*As of the evaluation period, the following results have been reported:* a. <u>Operational Efficiency (OE):</u> · Measures of level of service increased · Dwell time decreased suggesting that improvements that targeted yard and gate congestion m have contributed to decreased gate and yard congestion; · Productivity and level of service measures provide evidence that ENAPOR improved its operational performance prior to the Activity inception and throughout its completion; · It was unlikely that infrastructure improvements contributed to improved operational efficie or that physical expansion was required; · Container operations were already underutilized before the intervention, and that underutilization only increased by Activity completion; · Berth congestion was never a growth constraint for the port; · Berth occupancy rate for international vessel was extremely low by industry standards, suggesting that these berths were underutilized prior to the intervention and that underutilization continued through the project completion. b. <u>Competitiveness:</u> · The port became more competitive in terms of capacity, equipment, operations, level of servi and costs. Larger ships are now able to call on Port of Praia, as are vessels without cargo lifting facilities; · Costs of imported and exported goods has decreased and are competitive with other main regional ports · Connectivity (as measure by LSCI [3]) has increased since 2005, although it has yet to reach le

	of connectivity of that of other ports in West Africa; · Tariffs for loading and unloading cargo have increased, though volumes remain low compare to other regional ports; · Port of Praia has lost market share to Porto Grande for inter-island cabotage trade; While it s receives the lowest LSCI score, Port of Praia is competitive with other regional and Cabo Verdean ports in terms of its facility assets and the services necessary to attract shipping lines to utilize its p
Objective-level Outcomes	a. <u>Costs:</u> · There was a reduction in fees charged to importers from the period prior to the intervention through its completion; · Ratio of annual revenue to expenditures remained relatively constant with revenue being abo 1.5 times the amount of expenditures · Average container-handling charge for both imports decreased from 2007 to 2014 as reflecte the decreased profit margin/revenue observed for ENAPOR for the same period; · Shippers saw a reduction in costs for importing goods as evidenced by the reduction in termi handling charges, and given that costs at the port have generally kept pace with larger, more competitive ports in the region; · Shipping lines have benefited from improved facilities, but their cost savings (due to reduced time at the port and deployment of larger vessels) are not passed through the system (lower ocean freight rates benefiting shippers) due to the nature of the industry pricing practices. - b. <u>International Trade:</u> · Import-export gap has tightened slightly in recent years, but not at a level significant enough be attributed to MCC's investment;

	· Total volumes of exports from Cabo Verde fluctuated, but increased slightly, and exports fro Port of Praia changed little over the evaluation period; · Import volumes to the country and to Port of Praia had very little change. Cabotage volumes number of vessel call increased for Port of Praia, showing increased activity; however, this could be negative effect of receiving more imports from Porto Grande; · Increased international passenger transit movements beginning in 2010 through 2014 sugges increased tourism to Cabo Verde; · No clear indication that the intervention impacted trade through Port of Praia, positively or negatively; · Trade volumes/partners through the port, and Cabo Verde do not appear to have been impa by MCC investment - c. Internal Markets: · Praia has become the primary center for the redistribution of products within the island economy simply because of the concentration of population there.
Effect on household income attributable to MCC	Not part of the evaluation Scope of Work.

Lessons Learned

1. Full pre-feasibility and feasibility studies should be finalized before initiating the design and intervention of large infrastructure asset investments. It is essential that interventions and designs are based on a comprehensive understanding of the institutional and economic context in which these assets are operated. Without this understanding, MCC cannot assess how its support will affect the assets' design, operation and contribution to economic growth
    1. Control: It is especially important that MCC assesses critically whether the partner country entities that will control the investment and operational decisions have both the capacity and the motivation to make economically efficient management decisions

2. Incentives: A critical component to ensuring good management decisions is to ensure that both strict accountability and positive incentives act as guard-rails against profligate investment decisions. (In this case, project preparation was outsourced to consultants, leaving minimal culpability within G0CV or MCC.)

1. MCC acknowledges that alternative investment strategies (other than port expansion and improvement) could have been more impactful, especially if it addressed institutional reforms:
    1. A better understanding of port operations and shippers needs could have significantly increased both the port's operating capacity and shippers' use of the port with minimal physical infrastructure investments;
    2. Opportunities to press for critical improvements in port management and staffing were wholly missed – leaving port operations as they had been, largely non-responsive to shippers' and consignees' needs.

Next Steps

This evaluation is complete and there are no planned next steps.

Endnotes

1. A number of indicators had been eliminated as of September 27, 2008. As a result, no Actuals Achieved are available for those indicators. Details in the 2008 M&E Plan (page 56) are available here
2. These figures are calculated using all non-evaluation indicators with targets in the Port Activity.
3. LSCI: Liner Shipping Connectivity Index